

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Ma Analyst: Deborah Barrett Bill Number: AB 361  
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: June 25, 2007  
 Attorney: Tommy Leung Sponsor: \_\_\_\_\_

**SUBJECT:** Notice to FTB of the Administration Of A Decedent's Estate Required By Estate

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED June 4, 2007, STILL APPLIES.

OTHER – See comments below.

**SUMMARY**

This Franchise Tax Board (FTB) sponsored bill would require estate representatives to provide notice to FTB that the administration of a decedent's estate has been opened.

**SUMMARY OF AMENDMENTS**

The June 25, 2007, amendments revised the notice requirement to be applicable only to estates opened on or after July 1, 2008. The "This Bill" and "Economic Impact" discussions have been revised as a result of the June 25, 2007, amendments. The remainder of the department's analysis of the bill as amended June 4, 2007, still applies.

**POSITION**

Support.

On December 4, 2006, the Franchise Tax Board voted 2-0, with the member from the Department of Finance abstaining, to sponsor this bill.

Board Position:

☒ S      \_\_\_\_\_ NA      \_\_\_\_\_ NP  
 \_\_\_\_\_ SA      \_\_\_\_\_ O      \_\_\_\_\_ NAR  
 \_\_\_\_\_ N      \_\_\_\_\_ OUA      \_\_\_\_\_ PENDING

Legislative Director

Date

Brian Putler

7/10/07

## THIS BILL

This bill would require an administrator or executor of a deceased's estate to provide notice of the administration of the estate to FTB no later than 90 days after the date letters are first issued to a general personal representative. This bill would require notice to be provided by any estate opened on or after July 1, 2008.

## **ECONOMIC IMPACT**

Based on data and assumptions discussed below, the Personal Income Tax revenue gain from this bill would be as follows:

Estimated Revenue Impact of AB 361 Effective On Or After July 1, 2008 Enactment Assumed After June 30, 2007 (\$ in Millions)				
Probate	2007-08	2008-09	2009-10	2010-11
Claims	No impact	+\$5	+\$5	+\$5

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

## **Revenue Discussion:**

The revenue impact of this bill is determined by the number of additional tax debts that FTB will be able to collect due to receiving timely notice. Notice would be sent to personal representatives of decedents' estates beginning July 1, 2008. It is anticipated that collections from these estates will generally take 12 – 18 months. Therefore, the first collections will not occur until July 1, 2009. Estimates are rounded and accrued back one year as they relate to tax liabilities from prior years.

In fiscal year 2005-06, FTB's Decedent Unit collected \$4.5 million from claims filed with Probate Courts. The Decedent Unit estimates that it is properly notified, and in a timely manner, in only about 25% of probate cases that have unresolved tax issues.

If FTB were properly notified in all probate cases, additional collections would potentially be \$13.5 million. ( $\$4.5 \text{ million} \div 25\% = \$18 \text{ million}$ ;  $\$18 \text{ million} - \$4.5 \text{ million currently collected} = \$13.5 \text{ million}$ .) The cases on which FTB is not properly notified will tend to have smaller debts than the group for which FTB is properly notified. The Decedent Unit estimates that, on average, the value of income tax debts of the cases that would be impacted by this bill would be about 40% of the value of the debts for which FTB is properly notified. Additional collections from probate claims would be \$5.4 million ( $\$13.5 \text{ million potential revenue} \times 40\% \text{ of the value of the debts}$ ).

The additional collection from this bill of \$5.4 million is reduced by approximately \$0.3 million for the amount that would have been collected from decedent's heirs after disbursements from probate. Under this bill, net new collections of \$5.1 million would result in the first full taxable year in 2009.

#### **LEGISLATIVE STAFF CONTACT**

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